

JUL 29 1985

[REDACTED]
[REDACTED]
EP/EO:Review Staff

CERTIFIED

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(5) of the Internal Revenue Code.

The information submitted shows that you were incorporated on [REDACTED], under the nonprofit corporation laws of the State of [REDACTED]. Your purpose, briefly stated, is to foster, promote and develop the [REDACTED] breed of sheep in particular, and the sheep industry in general.

Your primary activity is an annual show and sale of livestock. Sellers must be members of your organization. Sellers pay an entry fee in order to have their animals sold at auction.

Section 501(c)(5) of the Code provides for the exemption from Federal income tax of labor, agricultural or horticultural organizations. Section 1.501(c)(5)-1 of the Income Tax Regulations provides that the organizations contemplated by Section 501(c)(5) of the Code as entitled to exemption from income tax are those which (1) have no net earnings inuring to the benefit of any member, and (2) have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations. Revenue Ruling 66-105, 1966-1 C.B. 145, denied exemption under Section 501(c)(5) of the Code to an organization composed of agricultural producers whose principal activity was marketing livestock for its members.

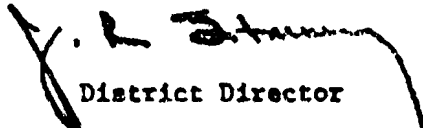
The principal activity of your organization is to act as a sales agent for your members. The sale of member's products with the return to them of the sales proceeds is neither an object nor an activity within the ambit of the cited sections of the Code and Regulations. Therefore, you do not meet the requirements of Section 1.501(c)(5)-1 of the Regulations and you are not exempt under Section 501(c)(5) of the Code. Accordingly, you are required to file Federal Income Tax Returns on Form 1120.

[REDACTED]

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains your rights and procedures.

If you agree with this determination, please sign and return the enclosed Form 6018.

Very truly yours,


District Director

Enclosure: Form 6018